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SUBJECT: RUSSIA AND VIETNAM KEEP UP THE ILLUSION OF A  
STRATEGIC PARTNERSHIP

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11. (SBU) Summary: Russian Prime Minister Mikhail Ephimovich Fradkov was Vietnam's first high-ranking foreign visitor since Tet, the Vietnamese New Year. The February 16-17 visit was the third by a Russian Prime Minister to Vietnam since 1997. The primary purposes of this visit were to strengthen cooperation with the GVN in such forums as APEC, the EAS and ASEAN; to meet with GVN leaders ahead of Vietnam's APEC chairmanship; and, to prepare for President Putin's trip to Vietnam for the 14th APEC Summit. Fradkov also discussed economic and energy cooperation. Through this visit, the two countries' leaders once again reaffirmed their "strategic partnership for mutual interest." However, according to Russia watchers in Vietnam, this visit had more to do with Russia's general "Looking East" foreign policy than it did specifically with Vietnam. End Summary.

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PM Fradkov with GVN Leaders  
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Prime Minister Phan Van Khai

12. (SBU) The meeting between the two PMs on February 16 concluded with the largely substance-free decision to "continue their strategic partnership for mutual interest." During the talks, PM Khai acknowledged that past cooperation with Russia has made major contributions to the industrialization and modernization process in Vietnam. PM Fradkov officially agreed, and affirmed that Russia will continue to be a "strategic partner" and promote their traditional friendship and cooperation for "common benefits and sustainable development."

13. (SBU) Beyond the two countries' existing cooperation, especially in oil and gas exploration and exploitation, PM Fradkov said Russia is also interested in Vietnam's Son La hydroelectric power project (the biggest in Southeast Asia), and that Russian companies are willing to participate in projects on exploiting and processing bauxite and iron ores, and to expand cooperation in automobile assembly and electronic equipment manufacture.

14. (SBU) The two leaders agreed to maintain regular high-level political dialogues; intensify bilateral cooperative ties in traditional areas such as oil and gas, electric energy, science and technology, and education and training, especially in economic cooperation; and, expand cooperation to other fields, including transport, tourism, technology and the use of nuclear energy for peaceful purposes. Concerning tourism, PM Fradkov acknowledged that Russians have gravitated towards Thailand and Malaysia since these countries allow visa-free travel while Vietnam does not.

Communist Party General Secretary Nong Duc Manh

¶15. (SBU) This was a "handshake" meeting, according to MFA and think tank sources. Party General Secretary Nong Duc Manh recited the usual script about Vietnam attaching importance to intensifying the traditional friendship and strategic partnership with Russia and wishing to further boost cooperative ties in areas of significant potential.

¶16. (SBU) In response, PM Fradkov affirmed that Russia considers Vietnam a strategic partner and expressed his determination to consolidate and enhance the traditional friendship and comprehensive cooperation between the two countries, particularly in the areas of economic cooperation, commerce, culture, science and technology. The meeting was important more for its symbolic value than anything else; a meeting with the General Secretary is reserved for visits to which the Vietnamese assign the highest protocol value.

National Assembly Chairman Nguyen Van An

¶17. (SBU) In another relatively ceremonial meeting, An said that the visit was a significant step forward in bilateral relations. According to An, the Vietnamese National Assembly would do its best to implement agreements signed between the two countries. In return, the Russian PM said he agreed with the Chairman's ideas and affirmed Russia's agreement with Vietnam's international and regional positions.

President Tran Duc Luong

¶18. (SBU) In addition to the regular diplomatic rhetoric, President Luong said during his meeting with PM Fradkov that he considers this visit an important step of development in the implementation process of the two countries' framework

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for relations reached during President Putin's 2001 visit to Vietnam.

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Deliverables  
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¶19. (SBU) During PM Fradkov's visit, Vietnam and Russia signed agreements on personnel training and drug control. The documents were a protocol on the amendment of the agreement on training Vietnamese citizens at Russian training establishments and universities, and an agreement on cooperation between the Vietnamese Ministry of Public Security and Russian Federal Agency for Drug Control in fighting the production, stockpiling, trafficking and trading of drugs and additive substances. The GVN declined to make the texts of either agreement available to us.

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Trade, Investment and Economic Cooperation  
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¶110. (SBU) After plunging in the aftermath of the collapse of the Soviet Union, two-way trade between Russia and Vietnam has steadily increased over the past years, with 2005 volume passing the 1 billion USD mark for the first time. Russia experts say the trade is about 60 percent barter and 40 percent cash, and Vietnam incurs a deficit. Vietnam's main exports include rice, textiles, footwear, rubber, seafood, fruits and vegetables, cashew nuts and tea while its imports are fertilizer, steel and petroleum products. (Note: Our GVN interlocutors somehow forgot to mention the hundreds of millions of dollars in arms transfers from Russia to Vietnam; most of Vietnam's arms purchases are from Russia. End Note.)

¶111. (SBU) Russia has so far invested USD 278 million in 47

projects in Vietnam, while Vietnam has 11 projects capitalized at USD 38 million in Russia, making Russia Vietnam's second largest investment market after Laos. PM Fradkov did not travel with a retinue of businessmen, which disappointed the Vietnamese slightly, because there was no concrete trade or investment benefit from the visit. This, according to local Russia experts, makes sense because "the Russians are practical; they only do things when they see immediate benefits." Our GVN interlocutors noted that in the old days, a Russian delegation would have resulted in "quite a lot" of trade and commercial projects.

¶12. (SBU) Russian Industry and Energy Minister V. B. Khristenko, who accompanied the PM, said Russia will increase cooperation in automobile assembly, hi-tech development and construction of a metallurgy plant with Vietnam, but provided no specifics for this cooperation. His Vietnamese counterpart said the visit helped boost economic and commercial relations between the two countries, and contributed some quick facts about Russo-Vietnamese industrial cooperation, such as the fact that VietSovPetro has pumped 150 million tons of crude oil in 25 years, helping recover its investment capital of USD 1.5 billion and turn a regular profit. (Note: VietSovPetro is one of the world's most profitable oil companies and provides a substantial percentage of Vietnam's official foreign exchange earnings.) During the visit there was no discussion of Vietnam's remaining debt to Russia, which stands at around USD 10 billion.

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Russia Watchers in Vietnam Comment  
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¶13. (SBU) Russia expert Nguyen Quang Thuan, Director of the Europe Studies Institute, said that the two agreements signed, and the relatively non-substantive meetings with the GVN leaders, were not sufficient reasons to compel a visit by the Russian head of government. Instead, he said, the visit is related to Russia's "Looking East" foreign policy. Under this policy, according to Thuan, Russia has recently enhanced its activities in the region through the East Asia Summit, the Russia-ASEAN Meeting, and other multilateral forums, such as the upcoming APEC meeting. Influencing Vietnam is certainly very important in Russia's strategy to "move east," Thuan opined. Bilateral relations between Vietnam and Russia are maintained, he said, because "the two countries need to keep good relations, not necessarily because they now have things to do together, but because

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they are hopeful for breakthroughs in their relations."

¶14. (SBU) Dr. Nguyen Vu Tung, Head, Vietnamese Foreign Policy Section, Department of World Politics and Vietnamese Diplomacy, Institute of International Relations, conceded to Poloff that the "strategic relationship" was more about intention and attitude than it was about existing common strategic goals, and that Vietnam and Russia had a "strategic history" that makes them "strategic partners" today.

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Our Comment  
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¶15. (SBU) Comment: Russia and Vietnam are like old friends getting reacquainted after falling out of touch. Russia's economic and military pullback in the early 1990s was traumatic for Vietnam's economy and security policy, due largely to the fact that Russia started requiring cash and hard loans to pay for crucial arms and commodity imports that previously had been paid for with soft loans or (pre-1979) given free. After a chilly couple of years in the early 1990s when Vietnam routinely vented its bitterness at

Russia's abandonment of Communism and lack of engagement in Southeast Asia, Vietnam and Russia restored good relations. Vietnam still sees Russia as a friendly state and a "traditional ally" in the international arena.

¶16. (SBU) Comment continued: Russia and Vietnam are good partners in international forums. They have common views on terrorism; disarmament; sovereignty and territorial integrity of states; the role of the UN; maintaining Southeast Asia as a nuclear weapons-free zone; opposition to the wars in Yugoslavia and Iraq; and, denuclearization of the Korean peninsula. In addition, Vietnam is Russia's formal link to ASEAN. In the absence of a Russian capability or interest in maintaining a strong presence in Southeast Asia, it has been more and more difficult for the two foreign ministries to come up with substantive areas of cooperation. Now, however, Russia appears to be taking a greater interest in Southeast Asia, especially in Asian security and economic forums such as ARF, APEC, EAS and ASEAN, and Vietnam is happy to escort its old friend back to the party. End Comment.

MARINE